

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SCEM-02 FPC-01 NEA-10 IO-14 H-03

L-03 PA-04 PRS-01 USIA-15 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /182 W

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P 140806Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9157

INFO AMEMBASSY BANGKOK PRIORITY

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USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN, TH

SUBJ: PROPOSED ADB LOAN FOR 2ND POWER DISTRIBUTION PROJECT -
METROPOLITAN ELECTRICITY AUTHORITY IN THAILAND

SUMMARY: ADB MANAGEMENT PROPOSES \$21 MILLION EQUIVALENT
LOAN FROM ORDINARY FUNDS RESOURCES TO FINANCE FOREX
COSTS OF PHASE II OF METROPOLITAN ELECTRICITY AUTHORITY
(MEA) DISTRIBUTION SYSTEM IMPROVEMENT AND EXPANSION IN
THAILAND. LOAN INCLUDES SIX NEW SUBSTATIONS AND
IMPROVEMENT OF NINE EXISTING SUBSTATIONS; INSTALLATION
OF UNDERGROUND CABLE AND OVERHEAD SUBTRANSMISSION LINES;
AND INSTALLATION OF TRANSFORMERS AND DISTRIBUTION LINES.
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY

1. ADB DOC R94-73 WITH ATTACHMENTS DESCRIBING PROPOSED

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LOAND POUHED ADDRESSEES NOV 8. BOARD CONSIDERATION
SCHEDULED NOV 29.

2. ADB MANAGEMENT PROPOSING \$21.0 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES. PROCEEDS WILL FINANCE CONSTRUCTION OF SIX NEW SUBSTATIONS INCLUDING TWO TERMINAL STATIONS; EXPANSION AND MODIFICATION OF NINE EXISTING SUBSTATIONS; INSTALLATION OF SUB-TRANSMISSION LINES INCLUDING 11.5 KILOMETERS OF MOSTLY 230 KV UNDERGROUND CABLE AND 20 KILOMETERS OF 115 KV AND 59.5 KILOMETERS OF 69 KV OVERHEAD LINES; INSTALLATION OF 2750 KILOMETERS OF DISTRIBUTION AND LOW VOLTAGE LINES; 5650 DISTRIBUTION TRANSFORMERS OF VARIOUS SIZES; POWER CAPACITORS, METERING, CONTROL AND MAINTENANCE EQUIPMENT; AND LINE CONSTRUCTION VEHICLES AND TOOLS. PROPOSED TERMS ARE 20 YEARS AMORTIZATION INCLUDING 4 YEAR GRACE PERIOD; 7 1/2 PERCENT INTEREST. BORROWER AND EXECUTING AGENCY TO BE METROPOLITAN ELECTRICITY AUTHORITY (MEA); KINGDOM OF THAILAND TO BE GUARANTOR.

3. PROJECT IS SECOND PHASE OF PROGRAM DESIGNED TO MEET GROWING DEMAND FOR ELECTRICITY IN BANGKOK AND EXTEND SUPPLY TO ADJACENT SUBURBAN AND RURAL AREAS. WITHIN MEA DISTRIBUTION AREA EXTENSION OF ELECTRICITY SUPPLY IS PART OF URBAN DEVELOPMENT SCHEME CONTAINED IN THAILAND'S THIRD NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLAN (FY 1972-76), AND IS EXPECTED TO PROVIDE BASE FOR INDUSTRIAL EXPANSION OUTSIDE BANGKOK, THUS CREATING JOBS NEAR NEW RESIDENTIAL AREAS AND RELIEVING CENTER CITY CONGESTION.

4. INITIAL PHASE OF PROJECT FINANCED BY BANK LOANS OF RB\$18.0 MILLION EQUIVALENT APPROVED DEC 1972, WHICH INCLUDED 10 NEW TERMINAL AND SUBSTATIONS; 120 KILOMETERS OF TRANSMISSION LINES; 940 KILOMETERS OF DISTRIBUTION LINES AND INSTALLATION OF DISTRIBUTION TRANSFORMERS, IS PROCEEDING SATISFACTORILY. PROJECT MANAGEMENT TEAM INCLUDING TWO INDIVIDUAL CONSULTANTS TO PREPARE SPECIFICATIONS AND TENDER DOCUMENTS AND PERFORM SYSTEM PLANNING AND NETWORK ANALYSIS WAS ESTABLISHED AND FUNDED AS CONDITION OF FIRST LOAN AND WILL REMAIN WITH MEA UNTIL LIMITED OFFICIAL USE

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PHASE II PROJECT IS COMPLETED IN 1974.

5. PROPOSED PROJECT WILL INCREASE NUMBER OF ENERGY TRANSFER POINTS FROM ELECTRICITY GENERATING AUTHORITY OF THAILAND (EGAT) TO MEA SYSTEM FROM 11 TO 13 AND SUB-TRANSMISSION LINES WILL LINK SUBSTATIONS TOGETHER. BOTH WILL INCREASE SYSTEM CAPACITY AND IMPROVE SYSTEM RELIABILITY. NEW AND EXPANDED DISTRIBUTION SUBSTATIONS WILL EXTEND SERVICE TO 100,000 FAMILIES INCREASING COVERAGE

FROM 70 PERCENT TO 84 PERCENT OF HOUSEHOLDS IN AREA.

6. TOTAL COST OF PROJECT ESTIMATED AT \$42.0 MILLION OF WHICH FOREX COMPONENT OF \$21.0 MILLION TO BE FINANCED FROM PROPOSED LOAN. MEA TARIFFS ARE CONSIDERED ADEQUATE TO COVER OPERATING EXPENSES, DEBT SERVICE AND CONTINGENCIES AS WELL AS SUBSTANTIAL PORTION OF CAPITAL EXPENDITURES, AND MEA HAS ASSURED IT WILL MAINTAIN RATIONAL TARIFF STRUCTURE TO ENSURE CONTINUING VIABILITY.

7. CIVIL WORKS WILL BE DONE BY EITHER INDEPENDENT LOCAL CONTRACTORS OR ON MEA FORCE ACCOUNT. CONTRACTS FOR EQUIPMENT AND MATERIALS ESTIMATED AT \$75,000 EQUIVALENT OR MORE WILL BE PROCURED ON BASIS OF INTERNATIONAL COMPETITIVE BIDDING IN ACCORD WITH BANK'S GUIDELINES FOR PROCUREMENT. CONTRACTS FOR EQUIPMENT AND MATERIALS FOR LESS THAN \$75,000 EQUIVALENT WILL BE PROCURED ON BIDS OR QUOTATIONS FROM REASONABLE NUMBER OF SUPPLIERS FROM MORE THAN ONE COUNTRY. DETAILED SPECIFICATIONS AND TENDER DOCUMENTS BEING PREPARED BY CONSULTANTS FINANCED BY BANK UNDER PREVIOUS PHASE I LOAN.

8. MEA AS BOTH BORROWER AND EXECUTING AGENCY IS CONSIDERED SATISFACTORILY MANAGED ELECTRIC DISTRIBUTION UTILITY WITH CAPABLE TECHNICAL STAFF, SOUND FINANCIAL POLICIES AND FULLY QUALIFIED TO CARRY OUT PROJECT.

9. BANK MANAGEMENT CONSIDERS PROJECT TECHNICALLY SOUND, FINANCIALLY AND ECONOMICALLY VIABLE. CASH FLOW PROJECTIONS THROUGH FY 1981 INDICATE MEA WILL MAINTAIN DEBT SERVICE RATION NOT LESS THAN 2.9 AND ABLE TO FINANCE ITS ENTIRE LOCAL CURRENCY REQUIREMENTS FROM INTERNAL CASH GENERATION. ECONOMIC INTERNAL RATE OF RETURN CALCULATED LIMITED OFFICIAL USE

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TO BE 21.0 PERCENT. PROJECT HAS BEEN ACCORDED HIGH PRIORITY IN THAILAND'S THIRD NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLAN (FY 72-76) WHICH FOCUSED LARGELY ON BANGKOK AREA. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

10. REQUEST EMBASSY BANGKOK'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119797 DTD JULY 3, 1972.
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